

HEALTH QUARTERLY STATEMENT

AS OF June 30, 2004

OF THE CONDITION AND AFFAIRS OF THE

Preferred Health Partnership of Tennessee, Inc.

NAIC Group Code	1253	1253	NAIC Company Code	95749	Employer's ID Number	62-1546662
	(Current Period)	(Prior Period)				
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Date Incorporated or Organized	01/01/1994		Date Commenced Business	01/01/1994		
Statutory Home Office	1420 Centerpoint Blvd.		Knoxville , TN 37932			
	(Street and Number)		(City, or Town, State and Zip Code)			
Main Administrative Office			1420 Centerpoint Blvd.			
			(Street and Number)			
	Knoxville, TN 37932		(865)670-7282			
	(City or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Mail Address	1420 Centerpoint Blvd.		Knoxville, TN 37932			
	(Street and Number or P.O. Box)		(City, or Town, State and Zip Code)			
Primary Location of Books and Records			1420 Centerpoint Blvd.			
			(Street and Number)			
	Knoxville, TN 37932		(865)670-7282			
	(City, or Town, State and Zip Code)		(Area Code) (Telephone Number)			
Internet Website Address						
Statutory Statement Contact	Melissa R Anderson		(865)670-7282			
	(Name)		(Area Code)(Telephone Number)(Extension)			
	manders1@covhlth.com		(865)470-7461			
	(E-Mail Address)		(Fax Number)			
Policyowner Relations Contact			1420 Centerpoint Blvd.			
			(Street and Number)			
	Knoxville, TN 37932		(865)470-7470			
	(City, or Town, State and Zip Code)		(Area Code) (Telephone Number)(Extension)			

OFFICERS

Lance K. Hunsinger, President
Jeffery S. Collake, Chief Financial Officer #
Jeffery S. Collake, Secretary

OTHERS

DIRECTORS OR TRUSTEES

Kenneth Truman Creed
Michael McKay Dudley
Randolph Murphree Lowry MD
Cletus Joseph McMahon Jr. MD
David A. Nowiski
Anthony L. Spezia
Dean Turner MD #

Thomas Rowe Bell
Daniel J. David MD
Marvin H. Eichorn
Kenneth Frederick Luckman MD
Michael Earl Mitchell MD
Francis H. Olmstead Jr.
Sandra Mathy #

State of Tennessee
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Lance K. Hunsinger	Jeffery S. Collake	Jeffery S. Collake
(Printed Name)	(Printed Name)	(Printed Name)
President	Chief Financial Officer	Secretary
(Title)	(Title)	(Title)

Subscribed and sworn to before me this	a. Is this an original filing?	Yes[] No[X]
_____ day of _____, 2004	b. If no,	1
	1. State the amendment number	11/19/2004
	2. Date filed	5
	3. Number of pages attached	

(Notary Public Signature)

NAIC Company Code95749NAIC Group Code1253

Reporting Entity NamePreferred Health Partnership of Tennessee, Inc.Domiciled inTennessee(State)Mailing Address:1420 Centerpoint Blvd., Knoxville, TN 37932Annual Statement Contact:Melissa R Anderson(865)670-7282manders1@covhlth.com(Name)Telephone No.E-mail Address

In the Matter of theQuarterlyStatement
(Annual/Quarterly)
Filing Required for the Period Ending on the
30th day of June, 2004
Mailing Date:11/19/2004

}AFFIDAVIT OF FILING
AND FINANCIAL
STATEMENT ATTESTATION

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity’s domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity’s domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)
Lance K. Hunsinger
(Printed Name)
President

(Signature)
Jeffery S. Collake
(Printed Name)
Secretary

(Signature)
Jeffery S. Collake
(Printed Name)
Chief Financial Officer

(Signature)
Melissa Anderson
(Printed Name)
Witness

Subscribed and sworn to before me this

day of , 2004

(Notary Signature)
My Commission Expires:

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	0	0	186
REVENUES:			
1. TennCare Capitation	0	0	195,632
2. Investment	627,254	1,153,268	3,614,841
3. Other Revenue	0	0	135
State Admin Revenue	15,761	232,828	1,249,104
4. TOTAL REVENUES (Lines 1 to 3)	643,015	1,386,096	5,059,712
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	0	0	(17,895)
6. Fee-For-Service Physician Services	0	0	0
7. Inpatient Hospital Services	(0)	89,059	(31,017)
8. Outpatient Services	0	0	0
9. Emergency Room Services	0	0	0
10. Mental Health Services	0	0	0
11. Dental Services (Capitated & FFS)	0	0	0
12. Vision Services (Capitated , FFS & Opthamology)	0	0	0
13. Pharmacy Services (Capitated & FFS)	0	(65)	(1,287,199)
14. Home Health Services	0	0	0
15. Chiropractic Services	0	0	0
16. Radiology Services	0	0	0
17. Laboratory Services	0	0	0
18. Durable Medical Equipment Services	0	0	0
19. Transportation Services (Capitated)	0	0	0
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	0	0	0
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	0	0	0
Anesthesiology - FFS Hosp & Other	0	0	0
Gastroenterology	0	0	0
Preventive Medicine	0	0	0
Ped Emergency Medicine - FFS Hospital	0	0	0
IBNR	0	0	0
Risk Share	0	0	2,589,946
24. Subtotal (Lines 5 to 23)	(0)	88,994	1,253,835
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:	0		
26. Copayments	0	0	0
27. Subrogation	0	0	0
27a Recoveries	262,152	369,288	704,659
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	262,152	369,288	704,659
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	(262,152)	(280,295)	549,176

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration:			
31. Compensation (Including Allocated Costs)	2,293,766	4,570,024	9,711,431
32. Marketing (Including Allocated Costs)	2,686	3,340	6,931
33. Premium Tax Expense	103,714	206,934	440,775
34. Occupancy, Depreciation and Amortization (Including Allocated Costs)	223,471	431,167	948,249
35. Other Administration (Provide detail)			
Printing	52,925	128,623	271,087
Rent/Utilities	0	0	0
Franchise, Excise & Property Taxes	0	0	0
Postage	69,682	152,901	153,139
Legal Fees	700	2,377	6,993
Liquidated Damages	316,100	616,740	1,203,280
Outside Services	110,281	210,546	329,948
Board & Committee Fees	0	0	0
Auditing, actuarial and other consulting services	0	0	0
Books & Subscriptions	495	856	3,328
Dues, Fees & Licenses	2,883	3,222	53,148
Education & Seminars	2,190	2,498	2,134
Meals & Entertainment	553	828	1,627
Office Supplies	312	354	1,622
Minor Equipment	0	0	22
Travel	2,512	3,651	6,068
Wellness Program	0	0	0
Leases & Rentals of equipment	0	0	0
Repairs/Maintenance Agreements	0	387	902
Telephone/Beepers/Cellular Phones	19	46	124
Temp/Contract Personnel	6,641	13,128	56,759
Provision for Loss Contracts	0	0	0
Risk Banding Reserve	0	0	(4,053,559)
Program Run Out Expense	0	0	0
State Admin Revenue	(5,169,948)	(10,113,803)	(17,059,131)
Miscellaneous Expense	1,314	1,785	655,976
Total DIRECT Expenses	(1,979,703)	(3,764,396)	(7,259,147)
Other ALLOCATED Expenses (Provide detail)			
Rent/Utilities	132,840	263,984	568,844
Printing	51,071	58,919	141,915
Postage	58,036	145,264	413,518
Legal Fees	93,165	186,194	189,293
Outside Services	362,874	690,216	954,943
Board & Committee Fees	33,345	66,973	89,638
Survey Fees	28,889	69,758	65,330
Telephone/Beepers/Cellular Phones	50,606	110,137	240,337
Books & Subscriptions	53,720	73,297	82,708
Minor Equipment	2,596	49,913	43,690
Computer Supplies	0	0	289
Dues, Fees & Licenses	141,003	167,218	356,822
Education & Seminars	10,413	18,087	58,092
Meals & Entertainment	9,349	16,277	28,996
Office Supplies	22,561	45,609	129,773
Travel	23,780	41,777	78,995
Miscellaneous Expense	41,875	78,536	279,965
Franchise, Excise & Property Taxes & Sales/Use Tax	47,453	94,907	108,812
Insurance	97,750	184,741	387,966
Leases & Rentals of equipment	25,683	60,321	145,200
Repairs/Maintenance Agreements	128,053	218,197	538,554
Relocation Expense Total	0	0	13,692
Training and Orientation Total	0	0	0
Temp/Contract Personnel	155,275	305,345	873,620
Covenant Management Fees	409,363	818,726	1,468,156
Total ALLOCATED Expenses	1,979,703	3,764,396	7,259,148
36. TOTAL ADMINISTRATION (Lines 31 to 36)	(0)	(0)	0
FIT & Excise Tax	0	0	1,295,965
37. Total Other Expenses:	0	0	1,295,965
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	(262,152)	(280,295)	1,845,141
39. NET INCOME (LOSS) (Line 4 less Line 38)	905,167	1,666,391	3,214,571

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Member Months	396,757	793,277	1,576,120
REVENUES:			
1. TennCare Capitation	52,788,361	104,690,869	241,142,939
2. Investment	627,699	1,154,183	3,617,182
3. Other Revenue	0	0	135
State Admin Revenue	15,761	232,828	1,249,104
IBNR / Capitation Revenue Receivable	4,451,604	29,786,076	18,842,234
Premium Tax	1,076,537	1,069,666	(322,160)
4. TOTAL REVENUES (Lines 1 to 3)	58,959,962	136,933,622	264,529,434
EXPENSES:			
Medical and Hospital Services:			
5. Capitated Physician Services	379,802	766,221	1,657,105
6. Fee-For-Service Physician Services	5,704,768	13,611,966	21,152,510
7. Inpatient Hospital Services	33,612,024	79,325,406	126,698,899
8. Outpatient Services	(78,558)	26,153	3,336,119
9. Emergency Room Services	2,819,663	7,169,729	11,477,633
10. Mental Health Services	17,888	33,996	18,409
11. Dental Services (Capitated & FFS)	3,651	3,305	12,498
12. Vision Services (Capitated , FFS & Opthamology)	182,622	400,243	823,292
13. Pharmacy Services (Capitated & FFS)	(5,252)	(8,834)	36,872,922
14. Home Health Services	92,028	207,671	439,080
15. Chiropractic Services	0	0	0
16. Radiology Services	52,363	100,249	156,046
17. Laboratory Services	7,581,782	18,041,270	24,737,079
18. Durable Medical Equipment Services	1,740,143	4,171,482	6,911,188
19. Transportation Services (Capitated)	1,173,252	2,434,399	4,500,642
20. Outside Referrals	0	0	0
21. Medical Incentive Pool and Withhold Adjustments	0	0	0
22. Occupancy, Depreciation, and Amortization	0	0	0
23. Other Medical and Hospital Services (Provide Detail)			
Surgery - Orthopedic - FFS Office	0	0	0
MCO Delegated Services	0	0	0
Allergy & Immunology FFS Office & Other	1,478,388	2,959,248	6,972,921
Counselors/Therapists	0	0	0
Otolaryngology - FFS Office	386,556	799,554	1,206,908
Anesthesiology - FFS Hosp & Other	840,111	1,718,654	3,255,732
Gastroenterology	12,158	20,035	30,454
Preventive Medicine	839,272	1,587,381	3,149,797
Ped Emergency Medicine - FFS Hospital	0	0	0
Miscellaneous	812,564	857,853	284,075
IBNR	0	0	0
Risk Share	0	0	2,589,946
24. Subtotal (Lines 5 to 23)	57,645,225	134,225,981	256,283,255
25. Reinsurance Expenses Net of Recoveries	0	0	0
LESS:			
26. Copayments	0	0	0
27. Subrogation	100,758	204,810	132,638
27a Recoveries	566,207	868,535	950,712
28. Coordination of Benefits	0	0	0
29. Subtotal (Lines 26 to 28)	666,965	1,073,345	1,083,350
30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29)	56,978,260	133,152,636	255,199,905

Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year to Date Total	Total
Administration: 31. Compensation (Including Allocated Costs) 2,293,766 32. Marketing (Including Allocated Costs) 2,687 33. Premium Tax Expense 1,180,251 34. Occupancy, Depreciation and Amortization (Including Allocated Costs) 223,471 35. Other Administration (Provide detail) 0 0 Printing 52,925 Rent/Utilities 0 Franchise, Excise & Property Taxes 0 Postage 69,682 Legal Fees 700 Liquidated Damages 316,100 Outside Services 110,281 Board & Committee Fees 0 Auditing, actuarial and other consulting services 0 Books & Subscriptions 495 Dues, Fees & Licenses 2,883 Education & Seminars 2,190 Meals & Entertainment 553 Office Supplies 312 Minor Equipment 0 Travel 2,512 Wellness Program 0 Leases & Rentals of equipment 0 Repairs/Maintenance Agreements 0 Telephone/Beepers/Cellular Phones 19 Temp/Contract Personnel 6,641 Provision for Loss Contracts 0 Risk Banding Reserve 0 Program Run Out Expense 0 State Admin (5,169,948) Miscellaneous Expense 1,312 Total DIRECT Expenses (903,168)			9,711,431 6,931 5,259,768 948,249 271,087 0 0 153,139 6,993 1,203,280 329,948 0 0 3,328 53,148 2,134 1,627 1,622 22 6,068 0 0 902 124 56,759 0 (4,053,559) 0 (17,059,131) 655,976 (2,440,154)
Other ALLOCATED Expenses (Provide detail) Rent/Utilities 132,840 Printing 51,072 Postage 58,036 Legal Fees 93,165 Outside Services 362,874 Board & Committee Fees 33,345 Survey Fees 28,889 Telephone/Beepers/Cellular Phones 50,605 Books & Subscriptions 53,721 Minor Equipment 2,597 Computer Supplies 0 Dues, Fees & Licenses 141,003 Education & Seminars 10,413 Meals & Entertainment 9,349 Office Supplies 22,561 Travel 23,780 Miscellaneous Expense 41,874 Franchise, Excise & Property Taxes & Sales/Use Tax 47,454 Insurance 97,751 Leases & Rentals of equipment 25,683 Repairs/Maintenance Agreements 128,053 Relocation Expense Total 0 Training and Orientation Total 0 Temp/Contract Personnel 155,275 Covenant Management Fees 409,363 Total ALLOCATED Expenses 1,979,703			568,844 141,915 413,518 189,293 954,943 89,638 65,330 240,337 82,708 43,690 289 356,822 58,092 28,996 129,773 78,995 279,964 108,812 387,966 145,200 538,554 13,692 0 873,620 1,468,156 7,259,147
36. TOTAL ADMINISTRATION (Lines 31 to 36)	1,076,535	2,114,595	4,818,993
FIT & Excise Tax	0	0	1,295,965
37. Total Other Expenses:	0	0	1,295,965
38. TOTAL EXPENSES (Lines 30 and 37 and 37A)	58,054,795	135,267,231	261,314,863
39. NET INCOME (LOSS) (Line 4 less Line 38)	905,167	1,666,391	3,214,571